

REMARKS:

Claims 1-58 are currently pending in the application. Claims 15-37 have been rejected. Claims 1-14 and 38-58 have been withdrawn from further consideration as being directed to a nonelected invention.

New claims 59-67 have been added with this response. Support for these claims may be found, for example, at Page 16, line 6 to Page 18, Line 20 of the specification.

Reconsideration of the Examiner's rejection of claims 15-37 under 35 U.S.C. § 101 as being directed to non-statutory subject matter is respectfully requested.

In arguing that the present claims are directed to nonstatutory subject matter, the Examiner states that

According to Supreme Court precedent in recent Federal circuit decisions, in order to be statutory under 35 USC § 101 the process must (1) be tied to another statutory class (such as a particular apparatus) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. If neither of these requirements is met by the claim, the method is not a patent eligible process under § 101 and is rejected as being directed towards non-statutory subject matter.

An example of a method claim that would not qualify as a statutory process would be a claim that recited purely mental steps. Thus to qualify as a section 101 statutory process, the claims should positively recite the other statutory class (thing or product) to which it is tied, for example by identifying the apparatus that accomplishes the method steps, or positively recite the subject matter being transformed, for example by identifying the material being change to a different state.

However, Applicant respectfully notes that, in fact, the present claims (a) are tied to another statutory class, and (b) transform underlying subject matter to a different state or thing.

Therefore, the claimed invention does encompass statutory subject matter.

With respect to the first point (that the present claims should be tied to another statutory class), Applicant notes that claims 15 and 22 (from which the remaining rejected claims depend), recite the step of

creating a group of associates, each of whom is contractually obligated to make payments on a first periodic basis to a common fund over a specified term in

exchange for receiving an award in a contracted amount at some point during the term

The four classes of statutory subject matter are set forth in 35 U.S.C. § 101, which provides that

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.  
[emphasis added]

In the present case, the rejected claims are tied to another statutory class, because the element recited above is essentially a “manufacture”. In this respect, MPEP § 2105 provides that

1. "Guided by these canons of construction, this Court has read the term 'manufacture' in § 101 in accordance with its dictionary definition to mean 'the production of articles for use from raw materials prepared by giving to these materials new forms, qualities, properties, or combinations whether by hand labor or by machinery.'"

The “group of associates” in claim 15 is a manufacture because the group is an “article” (i.e., a thing)<sup>1</sup> produced from raw materials (i.e., the people participating in the group)<sup>2</sup>. These

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<sup>1</sup> See the definition of “article” in the Merriam-Webster Online Dictionary (<http://www.merriam-webster.com/dictionary/article>), and especially sections 4-5 thereof, which clearly shows that a group of people can be an “article”:

**1 a:** a distinct often numbered section of a writing **b:** a separate clause **c:** a stipulation in a document (as a contract or a creed) *<articles of indenture>* **d:** a nonfictional prose composition usually forming an independent part of a publication (as a magazine)**2:** an item of business : MATTER**3:** any of a small set of words or affixes (as *a*, *an*, and *the*) used with nouns to limit or give definiteness to the application**4:** a member of a class of things ; *especially* : an item of goods *<articles of value>***5:** a thing or person of a particular and distinctive kind or class *<the genuine article>*

<sup>2</sup> See the definition of “materials” in the Merriam-Webster Online Dictionary (<http://www.merriam-webster.com/dictionary/materials>), and especially sections 1a, 1b and 3e thereof, which shows that people can be “materials”:  
**1 a (1):** the elements, constituents, or substances of which something is composed or can be made **(2):** matter that has qualities which give it individuality and by which it may be categorized *<sticky material>* *<explosive material>* **b (1):** something (as data) that may be worked into a more finished form *<material for a biography>* **(2):** something used for or made the object of study *<material for the next semester>* **(3):** a performer's repertoire *<a comedian's material>* **c: MATTER** **3b d: CLOTH** **e: a person** potentially suited to some pursuit *<varsity material>* *<leadership material>***2 a:** apparatus necessary for doing or making something *<writing materials>* **b: MATERIEL**

people are given a new form or property by virtue of the contractual obligation they undertake which transforms them from a mere group of unrelated people to a group of people that are now related by their common obligation to act in accordance with the contract.

For the sake of completeness, and lest the Examiner presume that the foregoing interpretation is somehow giving too broad a reading to the terms “manufacture” and “article” which were used by Congress in drafting the legislation currently at issue, reference is again made to MPEP § 2105, which reminds us that, in fact, Congress intended these terms to be interpreted broadly in construing 35 U.S.C. § 101:

2. "In choosing such expansive terms as 'manufacture' and 'composition of matter,' modified by the comprehensive 'any,' Congress plainly contemplated that the patent laws would be given wide scope."

Applicant also notes that the aforementioned transformation of the group of people by their contractual obligation would qualify the claimed invention as statutory subject matter even if it was not tied to another statutory class. Thus, as the Examiner himself has noted,

[T]o qualify as a section 101 statutory process, the claims should ... positively recite the subject matter being transformed, for example by identifying the material being change to a different state.

In the present case, the claims do positively recite the subject matter being transformed because, as explained above, the claims recite the group of people who are transformed by virtue of their contractual obligation.

Regarding claim 37, the claim has been amended with this response to more clearly bring it into accordance with MPEP § 2106.01(I). Support for this amendment may be found, for example, in claim 37 as originally filed, and in paragraph [0056] of the specification.

Reconsideration of the Examiner’s rejection of claims 15, 19, 22 and 33 under 35 U.S.C. § 112 as being indefinite is respectfully requested.

The Examiner objects to the term “essentially” and “about” in the rejected claims because, according to the Examiner, these terms are “not defined by the claim, the specification

does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention". Applicant respectfully disagrees.

As a preliminary matter, a quick Boolean search of the USPTO's patent database reveals that the term "essentially" appears in a staggering 170,929 patent claims, while the term "about" appears in an even more astonishing 839,236 patent claims. It is important to remember that these are *issued* patent claims (and hence, claims that have been examined), and that these results are limited to the coverage of the electronic patent database, which only goes back to about 1976. While it may be the case that each claim must be examined on its own merits, the foregoing facts are nonetheless extremely compelling evidence that the terms "essentially" and "about" have been considered by the Patent Office a vast number of times, and in almost any imaginable type of application and situation, and have not been deemed to render indefinite the claims containing them.

In fact, the Examiner's present argument reduces, in its essence, to a bland assertion that many commonly used words in the English language have some ambiguity attached to them. While this may be true, the law does not require patent claims to define a claimed invention with mathematical precision, nor is this a possibility with most inventions (which must, after all, be defined using words). Rather, the claims need only define the invention in such a way as to reasonably apprise those skilled in the art of the scope of the claimed invention. The foregoing evidence is extremely persuasive evidence that those skilled in the art understand the meaning of the terms "essentially" and "about" as those terms are used in patent claims. Hence, the use of these terms does not render patent claims indefinite.

Applicant also notes that the Examiner is incorrect in asserting that "the specification does not provide a standard for ascertaining the requisite degree". For example, the term "essentially" is used in claims 15 and 22 to modify the term "equal", which is used in reference to the amount awarded to each associate. However, aside from the fact that the usage of the term "essentially" in comparing amounts is excruciatingly common in the patent literature, paragraph [0024] of the specification provides that "Typically, the awards are made on a zero-sum basis (that is, the total amount of money paid out in awards to members of group  $G_i$  is essentially equal to the total amount of money paid in by the members of that group, excluding management fees

and other such expenses"). Thus, the specification clearly does provide a standard by which the term "essentially equal" may be determined.

Similarly, the term "about" is used in claims 30 and 35 in conjunction with the term "the contracted amount". The use of the term "about" in reference to quantities is also extremely prevalent in the patent literature. Moreover, the specification clearly provides a standard by which the term "about" may be determined. Thus, for example, Paragraph [0028] provides that

A rotating credit association is established which comprises a plurality of groups. Each group consists of approximately 250 members whose average contracted amount (the amount of money paid out to a member when the member is selected to receive a distribution from a fund managed by the association) is about \$75,000. The average contracted term (the term over which the group members are obligated to contribute to the fund managed by the association) is 108 months (9 years). The average monthly contribution made by the group members is \$694.44. Hence, the average total monthly contributions made to each group is about \$173,611.

Paragraph [0042] provides that

In some embodiments, the refunded amount may be exclusive of certain fees, such as the registration fee, insurance premiums, or the like, and/or it may be reduced by a predetermined amount or by a percentage. In some embodiments, a member incurs a contractual penalty by terminating, and the penalty is based on, or is proportional to, the contracted term or the number of contributions the member was required to make under the contract. Such a penalty may be specified, in a contract between the member and the association or the management thereof, as a percentage or as a number or fraction (preferably greater than 1) of the monthly contributions the member is required to make. Preferably, the penalty increases with the contracted term. If the penalty is termed as a number or fraction of the monthly contributions the member is required to make, then this penalty is typically equal to at least 1 contribution, and preferably at least 2 contributions; more preferably, the penalty is within the range of about 3 to about 5 contributions, and most preferably, the penalty is about 4 contributions. If the penalty is termed as a percentage of the contracted amount, then this percentage is typically within the range of about 0.5% to about 15%, preferably within the range of about 1.5% to about 10%, even more preferably within the range of about 2.5% to about 5%, and most preferably about 4%.

Moreover, the Examiner has merely provided conclusory statements that the use of the terms "about" and "essentially" would cause one skilled in the art to not be reasonably apprised of the scope of the claims, but has not offered any evidence in this regard. As noted above, use

of terms such as “about” and “essentially” occur in hundreds of thousands, if not millions, of issued patent claims. This fact clearly demonstrates that these terms are very well understood by those skilled in the art, in a large number of different contexts. The Examiner has not pointed to anything in the current usage of these terms that deviates from their common usage in the art, and that would cause one skilled in the art to not understand the scope of the claims. Therefore, the Examiner has not established that the current usage of these terms renders the claims indefinite.

Reconsideration of the Examiner’s rejection of claims 15-19, 21-24, 32-35 and 37 are rejected under 35 U.S.C. § 102(b) as being anticipated by “The Economics of Rotating Savings and Credit Associations” (Beasley et al.) is respectfully requested.

In order to support a *prima facie* case of obviousness, the Examiner must establish that a cited reference clearly discloses each and every element of the claimed invention. In the present case, Beasley et al. does not clearly disclose the various numerical limitations set forth in the rejected claims. Therefore, Beasley et al. does not anticipate these claims.

With respect to claims 15-18, the Examiner points to pages 792, 793, 795 and 796 of Beasley et al. in support of his contention that the reference teaches the values of  $x/n$  set forth in the claims, to wit, that  $x/n > 1$  (claim 15),  $x/n \geq 1.5$  (claim 16),  $x/n \geq 2$  (claim 17), and  $2 \leq x/n \leq 3$  (claim 18). However, Applicant respectfully notes that this section of Beasley et al. is devoid of the teachings which the Examiner is ascribing to it.

Pages 792 and 793 do not even discuss the values of  $x$  and  $n$ .

Page 794 defines  $x$  (the number of individuals in a group)<sup>3</sup>, but does not relate it to  $n$  (the average number of payments that an associate in the group is required to make), which is not discussed on that page.

Page 795 deals mostly with autarky, which is not relevant to the presently claimed invention. The exception is section II(A), which discusses a conventional Rosca in which the associates make contributions of  $B/n$  over a period of  $t_a$  on equally spaced dates  $\{t_a/n, 2t_a/n, \dots, nt_a\}$ . However, nothing in this section teaches or suggests the claimed numerical limitations at

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<sup>3</sup> In Beasley et al., this parameter is  $n$ .

issue. To the contrary, since there are  $n$  dates on which the Rosca meets and on which contributions are made by its members, by definition, the claimed ratio of  $x/n = 1$ .

Page 796 is largely irrelevant to the claimed invention in general (and the ratio of  $x/n$  in particular), since it is concerned with developing the relationship between welfare and lifetime utility. The exception is the first full paragraph, which states that

The random Rosca which lasts until  $t_a$  is only one possibility. For example, the group could also have met until  $t_a/2$  with contributions of  $B/n$  and a durable being bought after each interval of length  $t_a/2n$ . Given the uniform spacing of meeting dates in the constant contribution rate, the duration of the Rosca will be inversely proportional to the rate at which the group saves and accumulates to durable.

However, this language merely says that, if the lifetime of the Rosca is cut in half but its members meet the same number of times (that is, the interval between meetings is also cut in half) and make the same number of contributions, then the durable can be bought twice as fast (or, as the above noted excerpt summarizes it, “the duration of the Rosca will be inversely proportional to the rate at which the group saves and accumulates to durable”). Again, nothing in this language teaches or suggests the claimed relation of  $x/n$  because, even under this scenario,  $x$  and  $n$  stay the same, and hence  $x/n = 1$ .

With respect to claims 21 and 22, the Examiner asserts that Besley et al. teaches, at Pages 792, 793, 795 and 796, the limitations of the number of associates being in the range of about 200 to about 300, and the average number of payments being within the range of about 96 to about 120. With all due respect to the Examiner, however, this is merely a bald assertion that is not supported by the cited portion of Besley et al. Indeed, the only relevancy of the cited portion is footnote 9, which notes that Roscas have been known which have lasted 1-2 years and that, while most have 10-20 members, some have been known to have as many as 100 members. Clearly, this language does not teach or suggest Roscas having 200 to 300 members as claimed. Moreover, the fact that the lengths of Roscas and the number of their members has been known to vary within the ranges specified does not suggest any change in the ratio  $x/n$ . To the contrary, the only teaching of Besley et al. in this regard is that  $x/n = 1$ .

With respect to claims 23-24, the Examiner points to pages 802 and 803 of Besley et al. as teaching the claimed elements of the fixed term and contracted amounts being different for at least two associates. However, the only teaching contained in this section of Besley et al. which

is relevant to the claimed invention is the teaching that bidding Roscas may be utilized. In a bidding Rosca, as noted on Page 802,

bids can be used to order individuals, with those who value the pot more acquiring it sooner. ... [I]ndividuals can use bidding to realize “gains from trade” within the Rosca, as members who value the pot more exchange greater contributions for earlier access to the pot.

Notably, however, even in such a bidding Rosca, the pot is the same for all participants – only the contributions made by the participants differs, with those receiving the pot earlier making larger contributions. Since the contracted amount is independent of the contributions made (i.e., the successful bidder receives the same pot as the unsuccessful bidder, but merely receives it earlier), the teaching of a bidding Rosca does not amount to a teaching of “contracted amounts being different for at least two associates” as recited in claim 24. Similarly, the employment of a bidding Rosca does not affect the fixed term, which is the period over which payments are made. The winning and losing bidders in a bidding Rosca experience the same fixed term (i.e., they make payments over the same period of time), they simply receive the pot on different dates.

With respect to claims 32 and 33, Applicant respectfully notes that the section of Besley et al. cited by the Examiner (pages 802 and 803) are devoid of the teachings which the Examiner is ascribing to them. In particular, Pages 802 and 803 do not contain any reference to the use of life insurance policies in conjunction with Roscas, nor does the rest of the reference.

With respect to claim 37, the Examiner argues that the limitations of this claim are obvious. However, the Examiner’s reliance on an argument of obviousness refutes the stated rejection of the claim as lacking novelty. Moreover, the Examiner is respectfully reminded that it is insufficient for the purposes of establishing a *prima facie* case of obviousness to merely make a conclusory statement of obvious. Rather, MPEP § 2142 specifically requires that the Examiner make an explicit statement of the grounds on which the obviousness rejection was based, with articulated reasoning and a rational underpinning:

\*\*>The key to supporting any rejection under 35 U.S.C. 103 is the clear articulation of the reason(s) why the claimed invention would have been obvious. The Supreme Court in *KSR International Co. v. Teleflex Inc.*, 550 U.S. \_\_\_, \_\_\_, 82 USPQ2d 1385, 1396 (2007) noted that the analysis supporting a rejection under 35 U.S.C. 103 should be made explicit. The Federal Circuit has stated that

"rejections on obviousness cannot be sustained with mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness." *In re Kahn*, 441 F.3d 977, 988, 78 USPQ2d 1329, 1336 (Fed. Cir. 2006). See also *KSR*, 550 U.S. at \_\_, 82 USPQ2d at 1396 (quoting Federal Circuit statement with approval). <

Reconsideration of the Examiner's rejection of claims 20, 25-31 and 36 are rejected under 35 U.S.C. § 103(a) as being unpatentable over "The Economics of Rotating Savings and Credit Associations (Beasley et al.) in view of "The Group Savings Resource Book" (FAO) is respectfully requested.

As noted above, the Examiner has failed to establish the claims 15 and 22, from which claims 20, 25-31 and 36 depend, lack novelty, nor has the Examiner rejected these claims as being obvious. As noted in MPEP § 2142, in such circumstances, the applicant is under no obligation to submit evidence of nonobviousness.

Moreover, the Examiner is again respectfully reminded that it is insufficient for the purposes of establishing a *prima facie* case of obviousness to merely make a conclusory statement of obvious. Rather, MPEP § 2142 specifically requires that the Examiner make an explicit statement of the grounds on which the obviousness rejection was based, with articulated reasoning and a rational underpinning:

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In the present case, they Examiner makes general allegations that FAO teaches certain elements of the claimed invention without, however, offering any reasoned explanation in that regard. Such an approach is insufficient to establish a *prima facie* case of obviousness.

For example, the Examiner argues with respect to claim 25 that pages 34 and 36 of FAO teach the element of the fund being managed by a first organization, and wherein each associate pays the first organization a fixed percentage of the amount contracted by that associate as a registration fee. However, FAO does not appear to contain the teachings which the Examiner is ascribing to it. Rather, the cited pages teach a *self-managed* group which is not even a Rosca, but is an ASCA (Accumulative Savings and Credit Association). See, e.g., page 31, which is the beginning of the section to which the cited pages belong.

Similarly with respect to claim 26, the cited portions of FAO do not appear to teach or suggest the element of the administrative fee. The cited section does mention the possibility of an interest rate. However, aside from the fact that an interest rate is not an administrative fee, the interest *rate* does not increase with the amount borrowed. By contrast, claim 26 requires that the administrative fee is a *percentage* of the monthly payment, and *increases with the contracted amount*. Hence, even if an interest rate could be construed to be an administrative fee, the interest rate itself would have to increase with the contracted amount in order to meet the limitations of claim 26.

Regarding claim 27, the cited portions of RAO clearly do not teach the recited interest rates. If the Examiner is of the opinion that this element of the claim is obvious even though not expressly recited, then the Examiner should state so on the record, and should provide an articulated reason and rational underpinning as required by MPEP § 2142. A similar observation is made with respect to claims 28-31.

Should the Examiner have any questions or desire clarification of any sort, the Examiner is invited to telephone the undersigned at the number listed below. Please reference Attorney Docket No. GRCA001US0.

A one-month extension of time is being filed with this Response. It is believed no further fee is due with this submission, however, if a further fee is due or a credit deemed appropriate, the Commissioner is hereby authorized to charge such fee or assign such credit to Deposit Account No. 50-3694 of Fortkort & Houston P.C.

Respectfully submitted,  
FORTKORT & HOUSTON P.C.

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